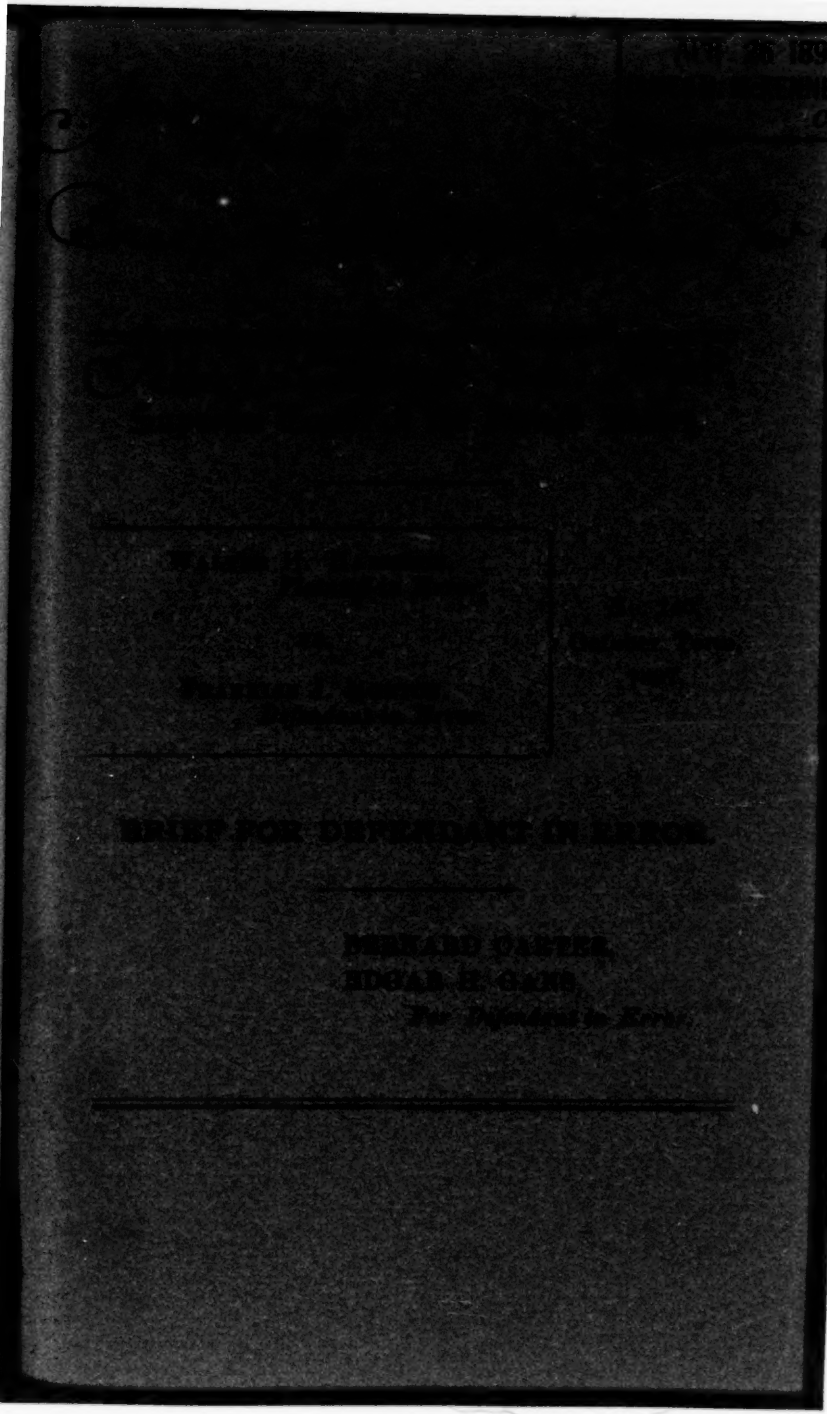

Supreme Court of the United States.

WALTER H. HARRISON,
Plaintiff in Error,

vs.

FRANKLIN J. MORTON.
Defendant in Error.

No. 245,
October Term,
1897.

BRIEF FOR DEFENDANT IN ERROR.

A.

The plaintiff in error was the plaintiff below, and brought his suit in the Baltimore City Court to recover $300,000 for the breach of an alleged contract dated December 8, 1894.

By the terms of this alleged contract, the plaintiff in error was to assign to the defendant a certain invention for a machine to make barrels and kegs, for which application had been made in the Patent Office by the inventor, one Henry Campbell, and of which said invention the plaintiff in error declared himself to be the owner by assignment from Campbell. For the sale and conveyance to him of all rights under said patent, the defendant, by the terms of the alleged contract, was to pay the plaintiff in error $100,000 in cash, within ten days after the issuing of letters patent for the invention by the United States, to transfer and deliver to the plaintiff in error, in addition, 2,000 full-paid and non-assessable shares of stock of the par value of $100 per share, of the capital stock of a corporation to be incorporated and organized by the defendant, with a capital

stock of $500,000, and also to pay to the plaintiff in error a sum equal to forty per cent. of the gross royalties that shall be received by said corporation from the sales of said patented articles under any and all of said patents. (Record, pages 7, 16, 18.)

The defendant, in his defence, alleges:

(1.) That he never made any such contract, and that the attempt to enforce the paper of December 8, 1894, was a gross fraud upon him.

(2.) That the signature to the paper was procured by fraud and undue influence.

(3.) That, upon equitable grounds, there was failure of consideration, because the plaintiff in error, at the time of the alleged agreement, had no valid title to the invention which he purported to sell.

(4.) Set off.

These defences are all set forth in appropriate pleadings. (Record, pages 9-12.)

The case was tried on the first, third and fourth defences, as the defendant conceded that there was no evidence to sustain the second defence.

The case being tried before the Court without a jury, the Court found a general verdict for the defendant for $35,091.65, the amount of the defendant's set off, with interest. (Record, page 13.)

The plaintiff in error appealed to the Court of Appeals of Maryland, assigning as error, certain rulings of the Court below on the admissibility of evidence, and the action of the Court below in granting and rejecting certain prayers offered by the respective parties.

There were six exceptions taken to the admissibility of evidence, and are found in the Record, as follows:

Exception 1, Record, pages 101 2.
Exception 2, Record, page 104.

Exception 3, Record, page 114.
Exception 4, Record, page 122.
Exception 5, Record, page 126.
Exception 6, Record, page 163.

The seventh and last exception was taken to the action of the Court in granting and rejecting certain prayers. (See Record, page 176.

The Court of Appeals of Maryland affirmed the rulings of the Court below. (See Record, 177-183—Opinion).

The plaintiff in error thereupon sued out his writ of error to this Court and relies in his petition for the writ upon all the exceptions taken by him in the lower Court, except the third and the fifth. (See Petition for Error, Record, 1-4).

There can be no question but that the first six exceptions taken to the admissibility of evidence involve only matters of common or statute law in force in the State of Maryland. There is no Federal question involved in any one of those exceptions.

As to those exceptions, therefore, it is well settled that the decision of the Appellate Court of the State is conclusive, and the Supreme Court of the United States has no jurisdiction to review its determination.

Murdock vs. City of Memphis, 20 Wall. 590.
Hale vs. Akers, 132 U. S. 554.
Henderson vs. Bridge Co., 141 U. S. 679.
Rutland R. R. Co. vs. Central Vt. R. R. 159, U. S. 630,
Seneca Nation vs. Christy, 162 U. S. 289.
Dibble vs. Bellingham, 163 U. S. 69.

B.

The only Federal question in the case is to be found in the seventh exception, which was taken to the action

of the Court below in granting or refusing certain prayers.

To understand these prayers, the main Federal question raised thereby and the relation of this Federal question to the other fundamental issues in the case, it will be necessary to state the two main defences relied upon by the defendant in the pleas above mentioned, and briefly to state the evidence offered in their support.

The said two main defenses relied upon by the defendant in his pleas were:

1st. That the alleged agreement was not the act and deed of the defendant.

2d. That assuming it to be his contract, it was void upon equitable grounds because of failure of consideration in this, that the invention which the plaintiff in error contracted to sell to the defendant, did not belong to him.

We will treat them in order:

POINT ONE.

I.

Non Est Factum.

The evidence shows that the plaintiff in error first met the defendant, who had been doing business in Baltimore for a number of years, in 1885. That from that time until the date of the alleged contract sued on in this case, he had persuaded the defendant to become interested in a number of schemes, during which he borrowed large sums of money from the defendant on precarious or worthless securities, so that, at the time of this alleged contract, he was indebted to the defendant in a sum over $30,000. (Record, pages 82, 101.)

Shortly before the date of the alleged contract, to-wit: in November, 1894, the plaintiff in error approached the defendant with reference to selling him the invention for making barrels and kegs. He said that Henry Campbell had a patent, and they wanted the defendant to join them in developing it.

The defendant said to him: "I would not do anything at all, not at all, until I got the money he owed me. I would not go into any agreement or have anything to do with him until I got my money that was owing. * * * I told them I would not have anything to do with him until he paid me my money. * * * Then he asked me if I would take it in trust; he said there was a small amount of expense in getting out the patents. I said I would pay that. I would take it in trust and pay that." (Record, page 102.)

They also presented a paper they called a subscription list to him about this time, containing a proposed turning over of the patent to a company to be formed. The name they proposed was the "Franklin J. Morton Company," but he objected, and the name was changed to Eureka. (Record, 28, 105-6.)

The defendant emphatically refused to have anything to do with the formation of the new company until his money was paid. (Record, pages 105-6.)

They talked to him about the formation of a company, and he said in a general way, that he would assist in taking hold of it, but would do nothing until the money due him was settled. He would do nothing until the money was given him; then he would consider what he would do, and whether he would do anything. They wanted him to join them in developing the patent, but there was no discussion as to the value of the patent. (Record, pages 122-3.)

II.

Then, on December 8, 1894, the plaintiff in error came to the defendant's office with the alleged contract, upon which this suit is brought, written in duplicate, and asked defendant to sign them.

Defendant testifies as to what took place:

"I glanced at them, as nothing had been talked of that way, as we had talked of, and I would not sign them at all, and I very emphatically said so; and he commenced talking with me, and I would not be reasoned with at all. I told him that I wanted my money first that he owed me, and I would not do anything about this company until they had that settled. Then he talked with me, and said they were as he said; says, I, no; they are not at all as we said; I will not sign them; then he said, you sign them; *they will be of no force, and you can hold them; hold them both, and be in your possession and belong to you; that was the idea he conveyed to me; that they should be mine until I chose to put them in force.*" (Record, pages 106-7.)

The only other persons present at the time of the signing of this paper in duplicate were, Carey Coale a clerk of the defendant, and the plaintiff in error.

The defendant in error testified that his clerk, Carey Coale, had left the room before the above-mentioned conversation between him and the plaintiff in error took place; but after the said conversation the defendant in error called Coale back into the room in which the plaintiff in error still remained, and told Coale what the plaintiff in error had said, as above testified to by the defendant in error; and plaintiff in error said the same to Coale; defendant in error then told Coale he was going to sign the papers, and defendant in error further said that the language of the plaintiff in error was that if defendant in error signed them, they would be of no

force; that they would be held by defendant in error as long as he chose; that they were of no value, no force, and would only be put in use as defendant in error chose, and whenever he chose. (Record, 106-7.)

Carey Coale fully corroborates the defendant:

"Mr. Morton called me back and said he wanted to say that he was going to sign those papers that Mr. Harrison then presented, but that he was to hold them in trust, and they were not to be acted upon except at his pleasure—at Mr. Morton's pleasure. Mr. Harrison went over the same ground also, and explained, as Mr. Morton held both papers, they could not be acted upon until he wished, until Mr. Morton wished. I then witnessed the signatures and left the room." (Record, page 77.)

The plaintiff in error, though present all the time during the trial, did not go on the stand as a witness.

These duplicates were left in the defendant's possession and remained in his possession continuously until produced by him at the trial table, under notice from the plaintiff in error. (Record, 107.)

The plaintiff in error endeavored to show by witnesses that this contract was recognized afterwards as existing by the defendant, mainly by a receipt which appears on the back of the contract for $1,500. The Record shows, however, that this receipt was utterly false, and a scandalous fraud, and a deliberate scheme to falsely make it appear that the contract was in force. (Record, pages 107-9, 36-8, 40, 110-16.)

It also appears in the evidence that the invention, which the plaintiff in error alleges that he sold to the defendant on December 8, 1894, for $100,000 in cash, $200,000 in paid up stock and forty (40) per cent. gross royalties, he had purchased from Campbell, ONLY TWELVE DAYS BEFORE, FOR THIRTEEN HUNDRED DOLLARS. (Record, pages 32, 34-5.)

III.

This defence, that the paper never was delivered, and never was operative as a contract, is set forth in the defendant's first and second prayers, which are as follows: (Record, page 175.)

Defendant's First Prayer.

The defendant asks the Court to rule, as matter of law, that upon the pleadings of the case the burden is upon the plaintiff to prove the delivery of the sealed instrument sued upon, and if the Court, sitting as a jury, finds that the paper sued on never was delivered, the verdict must be for the defendant.

Defendant's Second Prayer.

If the Court, sitting as a jury, shall find that when the paper sued on was presented by the plaintiff to the defendant for the latter's signature, with the request that he would sign it, the defendant declined so to do, as the terms of such papers did not correspond with any agreement made or talked of between the plaintiff and defendant, and that thereupon it was agreed between them that the papers in duplicate should be signed by the defendant, and both kept in his possession, and should not be of any force, and should belong to the defendant until he should put them in force, and that in pursuance of this agreement they were then signed by the defendant and always afterwards kept in his possession until produced at the trial of this cause, on notice, and that at no time after the signing of said papers did the defendant ever exercise his option of putting into force, but on the contrary, subsequently thereto, exercised his option by declining to recognize them as in force, then the verdict shall be for the defendant.

IV.

These were the only prayers asked for by the defendant. The verdict was generally for the defendant, and, therefore, although it cannot with absolute certainty be said that the decision was for the defendant on the ground that the paper writing never became operative as a contract, all the probabilities are that the decision was rested upon this ground. The evidence for it is overwhelming. No other point was raised on the part of the defendant in his prayers.

The legal proposition contained in the prayers is unquestionable.

Ware vs. Allen, 128 U. S., 596.
Pym vs. Campbell, 6 E. & B., 374-5.
Gardhouse vs. Blackburn, L. R. 1 P. & D., 115.
Wadsworth vs. Warren, 12 Wall. 307.
Edelin vs. Saunders, 8 Md., 129.

C.

We have gone over this defence of *non est factum* fully, in order that the Court may see that in this case there was a complete defence submitted for decision which did not involve in any way a federal question, that the defence is sustainable both, in fact, and in law, and broad enough in itself to support the final judgment without reference to the federal question. This being the case, it is well settled that this Court will not consider the federal question in the case as to whether it was properly decided or not.

When in a suit from a State Court there is a federal question, but the case may have been disposed of on some other independent ground, and it does not appear on which of the two grounds the judgment was based, then, if the independent ground is a good and valid one, sufficient of itself to sustain the judgment, the Supreme Court will not take jurisdiction of the case. This Court

will not, in order to reach a federal question, resort to critical conjecture as to which of the two defenses the judgment of the Court below rested upon.

Klinger vs. Missouri, 13 Wall., 263.
Johnson vs. Risk, 137 U. S., 300.
Beaupre vs. Noyes, 138 U. S., 397.
Eustis vs. Bolles, 150 U. S., 361.
Wade vs. Lawler, 165 U. S., 627-8.

POINT TWO.

Failure of Consideration.

The second defense was founded upon equitable grounds, the substance of it being, that even assuming the papers of December 8, 1894, to have been in force as a contract, the plaintiff in error undertook to sell to the defendant an invention in which he had no possible title. In determining whether the plaintiff in error had a title to the invention it became necessary to put a construction upon the patent laws and rules of the Patent Office of the United States, and thus to decide a federal question. We do not think, in view of the argument presented under Point I, that this Court has jurisdiction to pass upon this federal question, as brought up by the present writ of error.

But assuming, for the sake of argument, that we are wrong in that proposition, we respectfully submit that there can be no doubt about the correctness of the decision of the Maryland Court upon the federal question.

I.

In order to ascertain precisely what federal question is involved, it will be necessary to give a brief history of the application for the patent.

It appears that one Henry Campbell had invented, at a time not fixed in the proof, a machine for forming and making barrels and kegs. To protect the invention, he filed an application for a patent in the United States Patent Office, on September 6, 1894. On September 11, 1894, Campbell assigned one-half interest in said invention and application to the plaintiff in error. (Record, page 46-7.)

On November 26, 1894, Campbell assigned the other one half interest to the plaintiff in error. (Record, 48.)

On December 8, 1894, the paper was signed which is alleged to be the contract in this case, by which the invention and application were contracted to be conveyed by the plaintiff in error to the defendant. The patent was subsequently issued in the name of Henry Campbell, the inventor. (Record, page 57.)

II.

The defendant, under its pleas upon equitable grounds of a want of consideration, claimed that the plaintiff in error had no title to the invention sought to be sold by said agreement, because Henry Campbell, from whom he purchased said invention, had sometime before said purchase by the plaintiff, assigned it away to a corporation known as the Campbell Barrel Company.

The agreement between said Henry Campbell and the said company for the sale and purchase of said invention will be found in the Record, pages 162, 163.

In the trial Court the plaintiff in error offered the following as his fifth prayer:

"That the agreement of January, 1892, between Henry Campbell and the Campbell Barrel Company, offered in evidence by the defendant, is no defence to this action, if the Court shall find that by the true con-

struction of said agreement, the invention and device described in the contract set out in the declaration, is not embraced within said agreement."

This instruction thus asked for, the Court *granted.* (Record, page 174.)

It necessarily follows, therefore, that if the Court founded its verdict for the defendant, at all upon the defence we are now considering, that is to say, upon the ground that the plaintiff in error had no title to the invention, the Court must have found that the invention agreed to be sold to the defendant in error by the agreement sued on in this case, is the same asthat covered by the agreement of January, 1892, between Campbell and the Barrel Company, and that said invention had been sold to the said Barrel Company, before the assignment from Campbell to the plaintiff in error.

For as there was no other ground claimed by the defendant in error in support of this particular defense, it follows that unless the Court found such prior sale of said invention to the Barrel Company, it could not have found at all for the defendant upon the particular ground of defense we are now considering.

From this finding there was no appeal by the plaintiff in error, and could be none, as the plaintiff had by his own prayer (the fifth, Rec. 174) submitted this matter to the finding of the Court, and it had found, as above stated.

III.

By the sale thus made to the Campbell Barrel Company it acquired an equitable title in the invention so agreed to be sold to the defendant in error by the agreement sued upon in this case.

Dalzell vs. Duever Co., 149 U. S., 320.
Nesmith vs. Calvert, 1 Wood & Min., 34.

Troy vs. Corning, 14 How., 209.
Davis vs. Davis, 22 Blatch, 221-2.
Wright vs. Randel, 19 Blatch., 495.
Littlefield vs. Perry, 21 Wall., 226.
Aspinwall Mfg. Co. vs. Gill, 32 Fed. Rep., 697.
Bonsack Mch. Co. vs. Hulse, 57 Fed. Rep., 519,
65 Fed. Rep., 869.

IV.

But the position of the plaintiff in error in the Trial Court was, and here is, that although the said prior assignment had been made to the Campbell Barrel Company, it in no way affected the validity of the title he acquired under the said assignment from Campbell, because he had no notice of the said prior assignment, either actual or constructive. (Plaintiff's 1st and 4th prayers, Rec. 173-4.)

To this the defendant rejoins, it is not necessary that the plaintiff in error should have notice of the prior assignment, as under the assignments from Campbell, he would acquire only an *equitable title*, and it makes no difference whether he had notice or not; that purchasing an equitable title, he acquires it subject to all antecedent equities; and of these antecedent equities he necessarily has constructive notice, from the very fact that he is purchasing an equity.

Chew vs. Barrett, 11 S. & R., 389.
Shiras vs. Craig, 7 Cranch, 34-38.
Phillips vs. Phillips, 4 De Gex. F. & J., 208-15.
Bassett vs. Nosworthy, 2 Wh. & Tud. Ldg. Cas. in Eq. (Ed. 1877), p. 67.

"But where the purchase is of a mere equity, which owes its existence to the Court of Chancery, and cannot be enforced without its aid, the maxim, *nemo plus juris*

in alium transferre potest quam ipse habet, applies with full force. In other words, the purchase of an equitable estate is regarded by a chancellor as the purchase of a legal estate is viewed at law; it being true in both instances that he who is first in point of time has the better right."

Basset vs. Nosworthy, notes, 2 Wh. & T. Ldg. Cases in Eq. (Ed. 1877), page 67.

"The purchase of an equitable estate is subject to existing equities."

C. J. Marshall—Shiras vs. Craig, 7 Cranch, 34–38.

"That a purchaser, for valuable consideration, takes the title free from every trust or equity of which he has no notice—is intended of the purchase of a title perfect on its face, for every purchaser of an *imperfect* title takes it with all its imperfections on its head. It is his own fault that he confides in a title which appears defective to his own eyes, and he does so at his own peril. Now, every equitable title is incomplete on its face It is in truth nothing more than a title to go into chancery to have the legal estate conveyed, and, therefore, every purchaser of a mere equity takes it subject to every clog that may lie on it, *whether he has had notice or not.* But the purchaser of a legal title takes it discharged of every trust or equity which does not appear on the face of the conveyance, and of which he has not had notice, either actual or contructive."

C. J. Gibson, in Chew vs. Barnett, 12 S. & R. 389.

"I take it to be a clear proposition that every conveyance of an equitable interest is an innocent conveyance; that is to say, the grant of a person entitled merely in equity passes only that which he is justly entitled to, and no more. * * The first grantee is entitled to be

paid first, and it is quite immaterial whether the subsequent incumbrancees, at the time when they took their securities and paid their money, *had notice of the first incumbrance or not.*"

Lord Westbury in Phillips vs. Phillips, 4 De Gex, F. & J. 208–215.

V.

But the plaintiff in error claims that he acquired the *legal title* to the invention under the assignments from Campbell.

This presents the only Federal question in the case.

Did the assignments from Campbell to Harrison convey the legal title to the invention and application, or only the equitable title? The Court of Appeals of Maryland decided that they conveyed only the equitable title, and hence the plaintiff in error claims that the Court erred in misconstruing the patent laws of the the United States against the plaintiff in error. (8th Assgt. of error, Record, page 4.)

For opinion of the Court of Appeals see Record 180 to 183.

A scrutiny of these assignments of the applications for patent, shows that neither of them *contains any request to the Commissioner of Patents* to issue the patents to the assignee. (Record, pages 46-48.)

This fact is commented on by the expert witness Watson, called by the *plaintiff in error.* The patent was issued in the name of Henry Campbell, and Watson explains this as follows:

"I ascertained that the probable reason why it had not been issued in the name of Mr. Morton was this: The original assignment from Mr. Campbell to Mr. Harrison did not contain the request which the rules of the patent office required that the patent should be

issued in the name of the assignee. * * * When Mr. Harrison brought me the first assignment of the half interest to him, which had been done by some other person, I noticed at once that this request to the commissioner to issue the patent in their joint names had been omitted, and I did not wish to call the attention of the patent office to the failure to insert that request; therefore, when I drew the assignment of the second half interest, which was the assignment of the whole interest, I purposely omitted that request." (Record, page 56.)

The authorities are uniform that a conveyance of an invention before the patent is issued will not convey a legal title unless there is in the conveyance a request to the Commissioner of Patents to issue the patent to the assignee, for without such request the Commissioner is bound, under the rules of the Patent Office, to issue the letters to the inventor.

"An assignment before patent, not requesting the issue to the assignee, is a *contract to assign* the patent after issue, and creates an *equitable title* in the assignee."

Robinson on Patents, sec. 769, 411-14, 764.

And the recording of such assignment is not even constructive notice.

Robinson on Pat., sec. 785.
Gaylor vs. Wilder, 10 How., 480, 493.
Hammond vs. Pratt, 16 O. G., 1235.
Ex Parte Chillingsworth, 80 O. G., 1892.
Ex Parte Lorentz, 59 O. G., 158.
Ex Parte Nichols, 80 O. G., 1891.
Wright vs. Randel, 8 Fed. Rep., 596, 598–9.
U. S. Stamping Co. vs. Jewett, 7 Fed. Rep., 877.
Pontiac Knit Boot Co., vs. Merino Shoe Co., 31 Fed. Rep., 286.
Gay vs. Cornell, 1 Blatch, 506.

There is no case which decides that under a conveyance of this kind the legal title to the invention passes. The authorities quoted by the plaintiff in error, below, all go to an entirely different proposition.

They merely decide that one who has a *legal title* to a patent or invention is entitled to be protected against a prior assignment, of which he had no actual or constructive notice.

See—Wright vs. Randel, 8 Fed. Rep., 599.
N. Y. P. Bag Co. vs. Union P. Bag Co., 32 F. R., 787.
Consol. Elec. Co. vs. Edison Co., 25 Fed. R., 720.
Gibson vs. Cook, 2 Blatch, 144.

VI.

As it follows from the aforegoing, that it is altogether immaterial whether the plaintiff in error had, or had not, actual notice or knowledge of the agreement of sale made between Campbell and the Barrel Company, the Court committed no error in its modification of the first prayer of the plaintiff in error (Record, 173), or in the rejection of his third and fourth prayers (Record, 174), or in the giving of the Court's own instruction. (Record, 176.)

We, therefore, respectfully submit that if we are right upon the FIRST POINT above discussed, the writ or error must be dismissed; and if we are not right in our contentions under our First Point, and are right in our contentions under our SECOND POINT, then the judgment of the Court must be affirmed.

BERNARD CARTER,
EDGAR H. GANS,
For Defendant in Error.

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